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CENTRAL INTELLIGENCE AGENCY

7 December 1948

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INTELLIGENCE MEMORANDUM NO. 93

SUBJECT: Deceptive methods used by Soviet-controlled countries for acquisition of Strategic Commodities.

1. The ECA mission may find itself under pressure from Western European countries to permit shipments of certain strategic commodities to Soviet or Soviet-controlled areas. Such pressure will be based on misinformation that has been furnished to Western European government officials and business houses by representatives of Soviet-controlled countries as to the alleged adequacy of alternative sources of supply open to them. In short, the Soviet-orbit countries are employing an ancient form of bluff in order to inveigle Western European countries into selling them strategic commodities.

2. Although the bulk of evidence presently in the possession of CIA directly concerns anti-friction bearings, there is every reason to believe that the same shortages exist in other strategic commodities and that the same methods are being employed in an attempt to obtain them. Conclusive evidence shows that countries in the Soviet Orbit, undertaking a unified effort toward rearmament, stockpiling, and development of heavy industry, are stringently handicapped by the lack of anti-friction bearings and are coordinating their efforts to secure this item from Western European countries.

The principal method now being used and the one which gives most promise of success is a bluff based on outside ignorance of real conditions within the Soviet Union and its satellites. The procedure is to spread misinformation, varied according to the country approached, and designed to convey the belief that denial by the country concerned is futile since satellite strategic needs will in any event, be satisfied either by another Western European country or from within the Soviet Orbit.

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Other methods being used to obtain strategic materials are:

- a. Smuggling, principally through Austria and Germany into the Soviet Orbit.
- b. Purchase in Western Europe through blackmarket transactions.
- c. Acquisition and transshipment through dummy Western European purchasing agencies in which self-styled "refugees" from Soviet areas act as a front.

3. Actual conditions surrounding the production and supply of anti-friction bearings within the Soviet area are as follows:

- a. Except within the Soviet Union itself, no ball or roller bearings are produced in the Soviet-controlled area. (One of the salient reasons for this condition lies in that fact that bearings cannot be produced without western machines and engineering skills which would have to be imported.)
- b. The Soviet Union produces insufficient bearings for its own economy, let alone that of its controlled area. It is estimated, moreover, that roughly 50% of this inadequate bearing output consists of repaired bearings. The quality in any case is so poor that heretofore, satellite countries, though desperately in need, have been unable to use Soviet products. The Soviet Union has promised to supply Hungary, satellite center of rearmament, with \$350,000 worth of bearings during the present trade-treaty year. This quantity is roughly equivalent to one day's capacity production by any one of the major US concerns; yet the Soviet Union has delivered no bearings to Hungary so far.
- c. In official trade treaties, non-producing satellite countries have pyramided empty promises to supply each other with bearings. This further aggravates the shortages and contributes to an increasing shortage in the future as the treaty countries fail to meet their obligations.
- d. Smuggling activities, primarily from Austria and Germany, are so intense as to require major allied military efforts toward control.

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